SD Guthrie (SDG MK)

Unlocking Landbank Value While Pursuing New Verticals

HOLD (Maintained)	
Share Price	RM5.60
Target Price	RM5.90
Upside	5.4%

Highlights

- For 2026, management has guided for FFB production growth in the mid-single-digit range, as opposed to the 1% growth observed in 2025.
- Its non-plantation business is expected to see further developments later this year, with management guiding for landbank disposal gains of at least RM500m and up to RM800m.
- Maintain HOLD with an unchanged target price of RM5.90.

Analysis

- **2025 recap.** SD Guthrie (SDG) reported a 2025 core net profit of RM1,949m (+28% yoy) having made up 104% and 92% of our and consensus full-year estimates respectively. For 4Q25, core net profit was 7% weaker qoq at RM462m amid lower upstream plantation EBIT contribution (-10% qoq) in tandem with weaker production output. For the full year, fresh fruit bunch (FFB) production grew 1% yoy, driven by a 2% growth by its Malaysia estates and a 6% growth at Papua New Guinea/Solomon Islands (PNG/SI), although this was somewhat offset by Indonesia's weaker output (-3% yoy) which made up 25% of the group's production. CPO production cost for 2025 came in marginally lower at RM2,540/tonne, led by improvements at its Indonesia and PNG/SI estates. For the downstream segment, EBIT declined 13% yoy to RM532m with contributions by both differentiated and bulk products declining by 15% and 36% respectively. Trading profits, however, were largely maintained at RM217m, contributing about 40% of the segment's total EBIT.
- **Management briefing takeaways.**
  - **Production.** For 2026, management has set a relatively conservative FFB growth target in the mid-single-digit range, driven by positive results across the board at its Malaysia, Indonesia and PNG/SI estates. One downside risk to their growth expectations, however, is the possible onset of El Nino which has been flagged as a potential event later this year by weather forecasters. Management noted that past El Nino episodes appear to have hit their Kalimantan estates in Indonesia the hardest; barring this, its Indonesia estates are expected to be the strongest growth driver for this year.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	19,831	20,895	24,124	24,583	26,810
EBITDA	4,102	4,448	4,379	4,272	4,260
Operating profit	2,649	2,898	2,788	2,681	2,670
Net profit (rep./act.)	1,527	1,879	1,862	1,872	1,867
Net profit (adj.)	1,527	1,949	1,862	1,872	1,867
EPS (sen)	22.5	27.6	27.4	27.5	27.5
PE (x)	24.9	20.2	20.4	20.3	20.5
P/B (x)	1.9	1.9	1.9	1.9	1.9
EV/EBITDA (x)	14.4	13.2	13.0	13.0	13.1
Dividend yield (%)	2.9	3.2	3.1	3.1	3.1
Net margin (%)	7.7	7.9	7.7	7.6	7.6
Net debt/(cash) to equity (%)	22.8	20.7	12.6	4.9	4.9
Interest cover (x)	34.5	39.4	159.4	179.6	179.6
ROE (%)	8.3	10.3	10.2	10.2	10.2
Consensus net profit	-		2,111	2,018	2,043
UOBKH/Consensus (x)	-		0.9	0.9	0.9

Source: SD Guthrie, Bloomberg, UOB Kay Hian

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Stock Data

GICS sector	**Consumer Staples**
Bloomberg ticker:	SDG MK
Shares issued (m):	6,915.7
Market cap (RMm):	37,743.3
Market cap (US$m):	9,545.7
3-mth avg daily t'over (US$m):	5.6

Price Performance (%)

52-week high/low				RM5.97/RM4.42
1mth	3mth	6mth	1yr	YTD
0.6	10.7	13.1	5.6	6.0

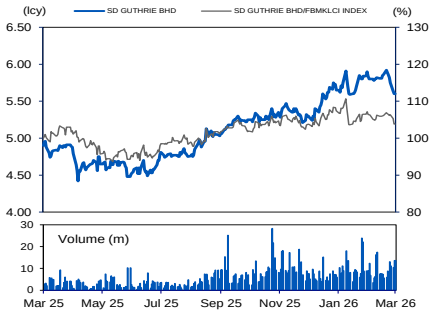
Major Shareholders

	%
Amanah Saham Nasional Bhd	53.3
Employees Provident Fund	14.8

Balance Sheet Metrics

	%
FY25 NAV/Share (RM)	2.90
FY25 Net Debt/Share (RM)	0.72

Price Chart



Source: Bloomberg

Company Description

The largest oil palm plantation company in Malaysia.

- **Unit costs.** CPO production costs for 2025 came in at RM2,540/tonne – slightly ahead of management's full-year target of RM2,500/tonne. The variance was largely driven by an increase in costs for its Malaysia estates during 4Q25, driven by an increase in incentive fees for harvesting, added logistics costs due to new transportation rulings, as well as ongoing labour churn necessitating the payment of new recruitment fees. For 2026, management has guided for unit costs to come down slightly to RM2,400-RM2,500/tonne, supported by higher expected FFB yields although somewhat offset by higher fertiliser costs, with procured fertiliser input prices for 2026 up at an average of 8% yoy.
- **Downstream segment.** For 2025, the downstream segment posted a 6% decline yoy in sales volume which accompanied the lower earnings contribution. Despite the segment's weaker full-year performance, management nonetheless flagged that positives have emerged in 4Q25, with a yoy improvement driven by a rebound for its differentiated products sales. This was in turn driven by improved performance in its Asia-Pacific operations, with better operating conditions seen particularly in Thailand.
- **Other plantation highlights.** Management has flagged a build-up in inventory stockpiles towards end-25 although this is expected to clear up in 1Q26, which implies some support to earnings in the following quarter during the low production season. Hedging position remains relatively light going forward, with only 17% of its Malaysia production sold forward for next year.
- **New verticals.** The group's renewable energy business has kicked off following the completion of its 15MW-rated solar PV plant in Kedah which began commissioning in 2025 and should contribute to 2026 on a full-year basis, albeit still minimal relative to the group's earnings base. As for industrial development, SDG expects to announce more deals later this year, with earmarked projects for 2026 expected to also bring in land disposal gains of between RM500m-RM800m.

Valuation/Recommendation

- **Maintain HOLD with an unchanged target price of RM5.90.** Our valuation is pegged to 22x 2026F PE (-0.25SD to the average five-year mean of 26x). While we still like SDG for its favourable production growth profile and medium-term prospects supported by new business verticals within renewables as well as industrial development, present valuations appear fair to us at the current juncture.

Earnings Revision/Risk

- **We maintain our 2026-27 earnings estimates.** We make no changes to our 2026-27 estimates but introduce our new 2028 forecasts. For 2026F, we estimate a slight 4% decline in core earnings mainly on lower ASPs given our lower expected CPO price assumption of RM4,250/tonne for the year.

Share Price Catalyst

- Better-than-expected CPO prices and production growth.
- Accelerated development of new business verticals.
- Potential M&A activities.

Segment Earnings Drivers

	2026F
FFB production growth	3.9% yoy
CPO Prices (Spot)	RM4,250/tonne

Source: UOB Kay Hian

2025 Key Operating Metrics (Upstream)

Source: SD Guthrie

Industrial Development Project Pipeline

INDUSTRIAL DEVELOPMENT

Ref	Date	Location	Size (acres)	JV partner(s)	Status
1	7-May-24	Tali Ayer, Perak	1,000	KIGIP	
2	15-Jul-24	Kulai, Johor	253 (outright purchase)	MSR-GE	
3	21-Aug-24	Bukit Pelandok, Negeri Sembilan	464	TH PROPERTIES	
4	20-May-25	Bukit Pelandok, Negeri Sembilan	1,195	ECOWORLD, NS CORPORATION	
5	20-Jun-25	Carey Island	2,000		
6	24-Jun-25	Port Dickson	300 (outright purchase) 300 (JV)	MBI	
7	8-Jul-25	Carey Island	470		
8	7-Nov-25	Kuala Selangor	3,000		
9	19-Nov-25	Kulai, Johor	935	ECOWORLD, PDT	
10	7-Dec-25	Kulim, Kedah	1,000	KTPC	
11	22-Dec-25	Kulai, Johor	5,000	PDT	
Total			15,917		

Source: SD Guthrie

ESG Roadmap

Environmental
- SDG announced that additional biogas plants would be built in Kedah and Negeri Sembilan. This allows it to work towards its carbon reduction target of 40% by 2030 (current: 18%).
Social
- The US Customs and Border Protection says palm oil produced by SDG is no longer "being mined, produced, or manufactured wholly or in part with the use of convict, forced, or indentured labour".
Governance
- Transparent governance along with an Anti-Bribery and Anti-Corruption Policy. - Placed 1st in Sustainable Palm Oil Transparency Toolkit rankings for 2025, rising from 3rd place in 2024.

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	**23,690**	**24,124**	**24,583**	**26,810**
EBITDA	4,448	4,379	4,272	4,260
Deprec. & amort.	1,550	1,591	1,591	1,591
EBIT	2,898	2,788	2,681	2,570
Associate contributions	10	11	13	54
Net interest income/(expense)	(113)	(27)	(24)	(59)
Pre-tax profit	**2,795**	**2,772**	**2,670**	**2,664**
Tax	(709)	(703)	(654)	(653)
Minorities	(207)	(207)	(144)	(144)
Net profit	**1,879**	**1,862**	**1,872**	**1,867**
Net profit (adj.)	1,879	1,862	1,872	1,867

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	19,341	19,846	20,352	20,857
Other LT assets	4,582	4,724	4,724	4,724
Cash/ST investment	624	4,641	6,074	7,313
Other current assets	348	(4,009)	(6,163)	(8,143)
Total assets	**31,743**	**32,386**	**32,281**	**32,589**
ST debt	546	361	177	177
Other current liabilities	303	308	308	308
LT debt	4,713	4,676	4,676	4,676
Other LT liabilities	271	271	271	271
Shareholders' equity	20,470	20,470	20,470	20,470
Minority interest	401	484	504	524
Total liabilities & equity	**31,765**	**32,386**	**32,281**	**32,589**

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	**2,797**	**3,819**	**3,763**	**3,663**
Pre-tax profit	2,908	2,799	2,694	2,724
Tax	(709)	(703)	(654)	(653)
Deprec. & amort.	1,550	1,591	1,591	1,591
Associates	(1,071)	(72)	(76)	(257)
Working capital changes	119	205	208	173
Other operating cashflows	**(641)**	**(628)**	**(640)**	**(640)**
Investing	(2,096)	(2,096)	(2,096)	(2,096)
Capex (growth)	1	2	2	2
Investments	1,452	1,452	1,452	1,452
Others	2	14	2	2
Financing	**(1,713)**	**(1,700)**	**(1,707)**	**(1,687)**
Dividend payments	(1,221)	(1,210)	(1,217)	(1,214)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Others/interest paid	8	10	10	10
Net cash inflow (outflow)	**443**	**1,491**	**1,416**	**1,239**
Beginning cash & cash equivalent	**1,586**	**2,023**	**3,508**	**4,918**
Changes due to forex impact	(6)	(6)	(6)	(6)
Ending cash & cash equivalent	**2,023**	**3,508**	**4,918**	**6,157**

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	21.5	18.2	17.4	17.4
Pre-tax margin	16.9	11.3	10.9	10.9
Net margin	12.0	7.7	7.6	7.6
ROA	8.3	6.1	6.2	6.0
ROE	13.8	10.2	10.3	10.2
Growth				
Turnover	5.4	15.5	1.9	1.9
EBITDA	9.4	(2.4)	(2.4)	(2.4)
Pre-tax profit	12.5	(23.0)	(1.7)	(3.7)
Net profit	15.7	(25.6)	0.6	(4.5)
Net profit (adj.)	15.7	(25.6)	0.6	(4.5)
EPS	27.1	(4.5)	0.6	(4.5)
Leverage				
Debt to total capital	25.2	24.0	23.1	27.8
Debt to equity	25.7	24.6	23.7	28.6
Net debt/(cash) to equity	22.6	1.9	(2.1)	(4.9)
Interest cover (x)	71.2	67.1	69.9	179.6

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